

**LIVESTOCK RISK PROTECTION INSURANCE POLICY
(This is a continuous policy. Refer to section 3.)**

This is a policy for Livestock Risk Protection insurance between you and the policy issuing company, and, when approved by us in writing, each shall be subject to all of the terms and conditions of this policy. Each Livestock Risk Protection policy shall be reinsured by the Federal Crop Insurance Corporation (FCIC) under the authority of sections 508(h) and 523(b) of the Federal Crop Insurance Act (Act) (7 U.S.C. § 1508(h) and 1523(b)).

All provisions of the policy and rights and responsibilities of the parties are specifically subject to the Act. The provisions of the policy may not be waived or varied in any way by the crop insurance agent or any other agent or employee of the company. Neither FCIC nor the Risk Management Agency has the authority to revise, amend or otherwise alter this policy. They can only approve or disapprove for reinsurance those terms submitted by the developer of this policy. In the event we cannot pay your loss, your claim will be settled in accordance with the provisions of this policy and paid by FCIC. No state guarantee fund will be liable for your loss.

Throughout this policy, "you" and "your" refer to the named insured shown on the approved application and "we," "us," and "our" refer to the insurance company providing insurance. Unless the context indicates otherwise, use of the plural form of a word includes the singular and use of the singular form of a word includes the plural.

AGREEMENT TO INSURE: In return for the payment of premium, and subject to all of provisions of this policy, we agree with you to provide the insurance as stated in this policy. If a conflict exists among the policy provisions, the order of priority is as follows: (1) The Special Provisions; (2) The Livestock Risk Protection Endorsement; and (3) these Basic Provisions, with the provisions of (1) controlling (2), and the provisions of (2) controlling (3).

**BASIC PROVISIONS
TERMS AND CONDITIONS**

1. Definitions.

Act - The Federal Crop Insurance Act (7 U.S.C. 1501 *et seq.*)

Actual Ending Value - The actual ending value is the weighted average price as defined in each Specific Coverage Endorsement.

Actuarial Documents - The information for the crop year, available for public inspection in your agent's office or on the RMA website, which shows the dates, coverage prices, rates, coverage levels, practices, insurable class, and other related information regarding Livestock Risk Protection coverage in the county or state.

Agricultural Marketing Service (AMS) - An agency of the United States Department of Agriculture (USDA). The AMS web site is www.ams.usda.gov.

Application - The form required to be completed by you and approved by us in writing before insurance coverage will begin. The Application form will identify the insured and the classes of livestock or livestock product (swine, for example) to be insured.

Assignment of Indemnity - A transfer of policy rights, requested on our form, and effective when approved by us. It is the arrangement whereby you assign your right to an indemnity payment to another party of your choice.

CST - Central Standard Time.

CME - Chicago Mercantile Exchange.

Class - The same species of livestock or livestock product that shares common traits or characteristics

and can be insured under a Specific Coverage Endorsement.

Consent - Approval in writing by us allowing you to take a specific action.

Contract Change Date - The calendar date by which we make policy changes that will be effective for the following crop year available for inspection in the agent's office or on RMA's website. (See section 2.)

Coverage - The insurance provided by this policy insures against a decline in price as specified in the Specific Coverage Endorsement.

Coverage Level - The percent of the expected ending value that is the coverage provided by the policy.

Coverage Price - The level of protection provided by the policy on a dollar per cwt basis as published each day on RMA's website.

Crop Year - The twelve month period, beginning on July 1 and ending on the following June 30 and designated by the calendar year in which the period ends. The crop year in which the effective date falls will determine the crop year for a Specific Coverage Endorsement.

Cwt - Hundredweight.

Days - Calendar days unless otherwise noted.

Daily Price Limit - For a given CME futures contract, the maximum daily price change allowed by the CME (For example, the current daily price limit for swine is \$2.00 and \$3.00 for fed and feeder cattle but such amounts may change), either up or down, from the previous settlement price. The Daily Price Limit is defined as the standard amount that prices may vary

from day to day, and does not include expanded limits that may occur after multiple and successive limit up or down days.

Delinquent Account - Any debt owed to us, which arises under any program administered under the authority of the Act, which has not been paid by the due date for payment contained in the policy or in any agreement or notification of indebtedness. Such debt may include any accrued interest, penalty, and administrative charges. A delinquent debt does not include debts discharged in bankruptcy and other debts that are legally barred from collection.

Deductible - The amount determined by subtracting the coverage level from 100 percent. For example, if you elected an 85 percent coverage level, your deductible would be 15 percent (100% - 85% = 15%).

Effective Date - The date associated with the beginning of insurance for a Specific Coverage Endorsement. This is the date that coverage begins. The effective date will always be the date the rates were published on the RMA website. If the Specific Coverage Endorsement was purchased and we approved it on the day following the date the rates were published on the RMA website, the effective date is still the date that the rates were published on the RMA website.

End Date - The date selected by you, and stated in the Specific Coverage Endorsement, that coverage under a Specific Coverage Endorsement ends.

Ending Period - The period specified by the Specific Coverage Endorsement, ending on the end date, over which the actual ending value is determined.

Expected Ending Value - The expected value of the livestock at the end of the coverage period, as published on the RMA website.

FCIC - The Federal Crop Insurance Corporation, a wholly owned government corporation within USDA.

Insured - The named person(s) shown on the application approved by us. This term does not extend to any other person having a share or interest in the livestock or livestock products.

Insured Share - Your percentage of insured interest in the covered livestock or livestock product at the time coverage attaches.

Insured Value - The insured value is the total dollar amount of coverage calculated by multiplying the number of livestock or livestock product insured under the Specific Coverage Endorsement by the target weight (as shown in the Specific Coverage Endorsement), by the coverage price (in dollars per cwt.), and by the insured share.

Lean Weight - Lean weight is a measure of animal carcass weight, presented in cwt. To convert live weight to lean weight, multiply the live weight by the factor specified in the Specific Coverage Endorsement. For example, for hogs, a 2.50 cwt. per head live weight multiplied by .74 is equal to 1.85 cwt. lean weight.

Limited Resource Farmer or Rancher - A limited resource farmer or rancher is defined as an individual who has:

- (1) Direct or indirect gross farm sales not more than \$100,000 in each of the previous two years (to be increased starting in fiscal year 2004 to adjust for inflation using Prices Paid by Farmer Index as compiled by National Agricultural Statistical Service (NASS)), and
- (2) A total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household income in each of the previous two years (to be determined annually using Commerce Department Data).

Live Weight - Live weight is a measure of the live animal's weight, stated in cwt.

Livestock - A species of domestic animals sharing the same traits or characteristics which are insurable under a Specific Coverage Endorsement.

Livestock Product - A product derived from the type of livestock which is insurable under a Specific Coverage Endorsement.

Person - An individual or an association, corporation, estate, partnership, trust, or other legal entity, and, where applicable, a State or a political subdivision or agency of a State. "Person" does not include the United States Government or any agency thereof.

Policy - The agreement between you and us consisting of the application approved by us in writing, these Basic Provisions, the Specific Coverage Endorsement, the Special Provisions, other applicable endorsements, and the actuarial documents for the insured livestock or livestock product.

Producer Premium - Total premium minus the premium subsidy paid by FCIC.

Risk Management Agency (RMA) - An agency within USDA, who operates the crop insurance programs, including all livestock insurance programs on behalf of FCIC and whose Internet website is www.rma.usda.gov.

Sales Period - The period during which a Specific Coverage Endorsement may be purchased that begins at the date and time prices and rates are published on the RMA website and ends on the following business day at 9:00 a.m. CST. Sales will be available Saturday mornings until 9:00 a.m. CST but sales will not be available for purchase on Monday mornings, Sundays, or any period that would have an effective date of a Federal or a market holiday.

Special Provisions - The part of the policy that contains specific provisions of insurance for each insured class and may vary by geographic area.

Specific Coverage Endorsement - An endorsement to the policy necessary to provide coverage that includes information about the class to be insured.

Substantial Beneficial Interest - An interest held by any person of at least 10 percent in the applicant or insured. A spouse who resides in the household or households of the applicant or insured will be considered to have a substantial beneficial interest in

the applicant or insured unless the spouse can prove that the class covered by the Specific Coverage Endorsement is in a totally separate farming operation in accordance with FCIC procedures and the spouse derives no benefit from the farming operation of the insured or applicant.

Target Weight - The anticipated weight at the ending period as specified in the Specific Coverage Endorsement.

USDA - United States Department of Agriculture.

UCM - FCIC's Underwriting Capacity Manager. This is a Web based computer system through which FCIC manages underwriting capacity for livestock.

2. Contract Changes.

- (a) We may change the terms of your coverage under this policy from crop year to crop year.
- (b) Any changes in policy provisions and program dates will be published on RMA's website not later than the April 30th contract change date. You may request copies from your Livestock Risk Protection agent.
- (c) You will be notified, in writing, of changes to the Basic Provisions, Specific Coverage Endorsements, and the Special Provisions not later than 30 days prior to the cancellation date. Acceptance of changes will be conclusively presumed in the absence of written notice from you to change or cancel your insurance coverage.

3. Coverage, Life of Policy, Cancellation, and Termination.

- (a) This policy provides coverage to protect you against price decreases during the insurance period.
- (b) Unless otherwise limited by section 4, application for coverage under the Livestock Risk Protection policy may be submitted during the daily Sales Period. Your application must be approved in writing by us before you can purchase coverage under a Specific Coverage Endorsement.
- (c) This Livestock Risk Protection policy is a continuous policy. If you submit and we approve an application for coverage under the Livestock Risk Protection policy on our form, such policy will remain in effect until June 30 and will automatically renew on July 1 thereafter unless cancelled or terminated pursuant to the terms of this policy, terminated by the operation of the policy or there is not sufficient underwriting capacity as determined by RMA. The Specific Coverage Endorsements are not continuous and are only effective for the period stated therein.
- (d) Either you or we may cancel the Livestock Risk protection policy in writing at any time prior to the July 1 renewal date as long as there are no Specific Coverage Endorsements in effect.
- (e) No insurance coverage is in effect with this application until a Specific Coverage Endorsement is written.
- (f) To obtain coverage on the specified class, you must submit a Specific Coverage Endorsement

during the sales period only that identifies the location of the livestock to be covered, the effective date of coverage, the number of covered livestock, the target weight at end date, the coverage price, and percent of your insured share. Any Specific Coverage Endorsement submitted outside of the sales period will not be accepted.

- (g) Your application for coverage under the Livestock Risk Protection policy and Specific Coverage Endorsement must contain all the information required by us in order to be approved to insure your livestock or livestock product.

- (1) The application and Specific Coverage Endorsement must be accompanied by the Substantial Beneficial Interest reporting form, listing the social security numbers or employer identification numbers, and share from all persons with a substantial beneficial interest in the applicant or insured. Applications or Specific Coverage Endorsements that do not contain all social security numbers or employer identification numbers of the applicant and all social security numbers or employer identification numbers of individuals with a substantial beneficial interest in the applicant, as applicable, the insured share for all persons, and any other material information required by the application or Specific Coverage Endorsement are not acceptable.

- (2) If an entity has an interest of 10 percent or more in the insured or applicant, the social security numbers and percentage share of all individuals with a substantial beneficial interest in the entity must also be provided.

- (3) If we discover that a person with a substantial beneficial interest has failed to provide a social security number or the person with a substantial beneficial interest is ineligible, the application or Specific Coverage Endorsement will not be approved and no indemnity will be due for the insurance period for the livestock or livestock product insured for which the social security numbers were not provided or the person was ineligible. Because no indemnity is due as a result of a breach of this policy, all premiums will still be owed.

- (h) Your agent does not have authority to bind coverage under this policy. Once approved by us in writing, coverage for the class described in the Specific Coverage Endorsement begins on the effective date. During each crop year that a policy is in effect, you may obtain coverage for as many head of livestock, under as many different Specific Coverage Endorsements, as you are eligible for, subject to the following restrictions:

- (1) Coverage applies only to the class in which you have an insured share;

- (2) You may not cover the same livestock or livestock products under more than one Specific Coverage Endorsement at any one time;
 - (3) You may not have any other FCIC reinsured livestock price policy covering the same class of livestock at the same time; and
 - (4) The amount of any class that may be covered may be limited by the applicable Specific Coverage Endorsement.
- (i) Coverage provided under each Specific Coverage Endorsement will:
- (1) Expire on the end date if you dispose of any part of your insured share in the insured livestock or livestock product during the last 30 days of coverage.
 - (2) Be terminated on the date of disposal for any portion of your insured share in the insured livestock or livestock product disposed of prior to the last 30 days of coverage, unless that portion of your share is properly transferred, on our form, to an eligible transferee under section 20. Termination will be effectuated by reducing the number of livestock insured under the applicable Specific Coverage Endorsement. No indemnity will be paid for any portion of the endorsement that is terminated. Because no indemnity is due as a result of a breach of this policy, no premium for any terminated portion will be refunded.
 - (3) Expire on the end date if at any time during the coverage period your livestock are seized, quarantined or destroyed by order of any governmental authority, or your livestock are not deliverable due to death or disease, and you provide us written notice of such circumstance within 72 hours after your knowledge of the livestock's death. For any livestock that die and we do not receive proper notification, that portion of the endorsement will be terminated. Termination will be effectuated by reducing the number of livestock insured under the applicable Specific Coverage Endorsement. No indemnity will be paid for any portion of the endorsement that is terminated. Because no indemnity is due as a result of a breach of this policy, no premium for any terminated portion will be refunded.
- (j) If any amount due, including a check returned for insufficient funds or overpayment, plus any accrued interest, is not paid, or an acceptable arrangement for payment is not made, on or before the termination date specified in these Basic Provisions or the date contained in any notice to you, the amount will be considered delinquent and your insurance coverage will terminate. Termination may affect your eligibility for benefits under other USDA programs. You will also be determined to be ineligible to participate in any crop insurance program authorized under the Act in accordance with 7 CFR part 400, subpart U.
- (1) For unpaid premium resulting from a check returned for insufficient funds, the policy will terminate as of the effective date of the Specific Coverage Endorsement;
 - (2) For other amounts due, the policy will terminate effective on the termination date immediately after the debt becomes delinquent;
 - (3) Ineligibility for unpaid premium resulting from a check returned for insufficient funds or failure to timely pay other amounts due will be effective on:
 - (i) The date that a policy was terminated for the livestock or livestock product for which you failed to pay premium and any related interest owed;
 - (ii) The payment date contained in any notification of indebtedness for any overpaid indemnity, if you fail to pay the amount owed by such due date; or
 - (iii) The termination date for the crop year prior to the crop year in which a scheduled payment is due under a payment agreement if you fail to pay the amount owed by any payment date in such payment agreement;
 - (4) All other policies that are issued by us under the authority of the Act, including all crop insurance policies, will also terminate as of the next termination date contained in the applicable policy;
 - (5) A crop insurance or livestock policy already in effect at the time you become ineligible will not be affected until the termination date for that policy (If you are ineligible, you may not obtain any insurance under the Act until payment is made, you execute an agreement to repay the debt and make payments in accordance with the agreement, or you file a petition to have your debts discharged in bankruptcy. Dismissal of the bankruptcy petition before discharge will void all policies in effect retroactive to the date you were originally determined ineligible to participate and any indemnities paid subsequent to that date must be repaid);
 - (6) If you execute an agreement to pay the debt and fail to make any scheduled payment, all of your policies, including all crop insurance policies, will be terminated effective on the termination date for the crop year prior to the crop year in which you failed to make the scheduled payment and no indemnity will be due for that year (You will no longer be eligible to obtain insurance under the Act by execution of an agreement to pay the debt. You will be ineligible for insurance under the Act until the debt is paid in full or you file a petition to discharge the debt in bankruptcy).

Dismissal of the bankruptcy petition before discharge will void all policies in effect retroactive to the date you were originally determined ineligible to participate and any payments and indemnities paid subsequent to that date must be repaid);

- (7) Once the policy is terminated, it cannot be reinstated for the current crop year unless the termination was in error because you did not owe any amounts or you paid the amounts owed on or before the termination date;
 - (8) After you again become eligible for insurance under the Act, if you want to obtain coverage, you must reapply on or before the sales closing date for the commodity or in accordance with the policy period. (You cannot reapply for insurance for your crops or livestock in the crop year in which you became ineligible);
 - (9) Any amount due us for any commodity insured by us under the authority of the Act will be deducted from any indemnity due you for this or any other commodity insured with us (If we deduct the amount due us from an indemnity, the date of payment for the purpose of this section will be the date you sign the properly executed claim for indemnity); and
 - (10) If you are determined to be ineligible under this section, all persons with a substantial beneficial interest in you as the applicant or insured will also be ineligible until you become eligible again in accordance with this section.
 - (k) If you die, disappear, or are judicially declared incompetent, or if you are an entity other than an individual and such entity is dissolved, the policy will terminate as of the date of death, judicial declaration or dissolution. If such event occurs after coverage begins for any crop year, the policy will continue in force through the crop year and terminate at the end of the insurance period and any indemnity will be paid to the person or persons determined to be beneficially entitled to the indemnity. Death of a partner in a partnership will dissolve the partnership unless the partnership agreement provides otherwise. If two or more persons having a joint interest are insured jointly, death of one of the persons will dissolve the joint entity.
 - (l) We may cancel your policy if no premium is earned for 3 consecutive years.
 - (m) The cancellation and termination dates for the policy are June 30. Portions of coverage under a Specific Coverage Endorsement may be terminated prior to that date as specified in section 3(i).
- 4. Coverage Limitations.**
- (a) This policy does not cover any other peril except change in price, including, for example, mortality, condemnation, physical damage, disease, individual marketing decisions, local price aberrations, or any other cause of loss other than stated.
 - (b) Insurance coverage will not be provided if you are ineligible under the contract or under any Federal statute or regulation.
 - (c) We will not approve your application or any Specific Coverage Endorsement:
 - (1) Unless such application or Specific Coverage Endorsement is accepted by the UCM website;
 - (2) If the UCM website, the premium calculator (the computer program that determines your premium) or the RMA website is not operational;
 - (3) If the required data for establishing rates or coverage prices are not available because futures did not trade, or were not able to continue trading at the end of the day (if the price moved the maximum allowed by the exchange) on the date that the rate information was generated, or the rates or coverage prices were not timely provided to RMA; or
 - (4) If there has been a news report, announcement, or other event that occurs during or after trading hours that is believed by the Secretary of Agriculture, Manager of the Risk Management Agency, or other designated staff of the Risk Management Agency, to result in market conditions significantly different than those used to rate the Livestock Risk Protection program.
 - (d) Sales will be suspended or terminated at any time if there is not sufficient underwriting capacity, as determined by RMA.
 - (e) Coverage is not available under a Specific Coverage Endorsement if the cause of the change of the price is anything other than an unavoidable cause of loss, as specified in the Act.
 - (f) Sales of all Specific Coverage Endorsements of a given class of livestock will be suspended for future sales periods if, based on CME market settlement information, at least four (4) of the relevant CME futures contracts have a daily price change equal or exceeding the Daily Price Limit for two (2) consecutive days. LRP sales will resume if and when there have been two (2) consecutive days without there being four (4) or more of the relevant CME futures contracts equaling or exceeding the Daily Price Limit. The relevant CME futures contract for each class of livestock are provided in the Special Provisions.
 - (g) Once published by RMA, coverage prices and rates will not be changed as a result of any late revisions made by the publishers of the data.
 - (h) You may not have any other FCIC reinsured livestock price policy covering the same class of livestock at the same time. If you do and if the duplication was intentional, you may be subject to

the sanctions authorized under this policy, the Act, 7 CFR part 400, subpart R, or any other applicable statute. If we determine that such duplication was not intentional, the first coverage issued will continue in force and all duplicate coverages will be voided.

- (i) The maximum number of livestock or livestock product that can be insured during a crop year is stated in the Specific Coverage Endorsement.
- (j) You cannot enter into an off-setting transaction described in section 14(a) of these Basic Provisions for any livestock or livestock product covered under the Specific Coverage Endorsement. Entering into such a transaction will result in no indemnity being due under the Specific Coverage Endorsement. Because no indemnity is due as a result of a breach of this policy, all premiums will still be owed.

5. Premium.

- (a) Coverage attaches on the effective date shown on the Specific Coverage Endorsement and your premium is due and payable to us on the date of purchase.
- (b) Payment of premium with a check that has been returned for insufficient funds may result in your ineligibility for participation in any program administered under the authority of the Act.
- (c) Premium will be based on the information you supply in a Specific Coverage Endorsement.

6. Insured Class.

The insured class is that class specified on your approved application and Specific Coverage Endorsements.

7. Share Insured.

- (a) Only an insured share as an owner of the livestock or livestock product will be eligible for insurance under this policy. Insured shares as a landlord, tenant, operator, or any other interest other than as an owner are not eligible for insurance under this policy. Insurance will apply only to the insured share owned by the person completing the application. Insurance will not extend to any other person having a share in the livestock or livestock product unless the application clearly states that the insurance is requested for an entity such as a partnership or a joint venture. If you transfer any part of your insured share during the insurance period to an eligible person, coverage will transfer in accordance with section 20.
- (b) We may consider any share reported by or for your spouse, child or any member of your household to be included in your share if there is no evidence that they had a separate interest in the livestock or livestock product. This does not abrogate the requirement in section 3 that all spouses provide their social security numbers as a substantial beneficial interest holder in the applicant or insured.

8. Insurance Period.

- (a) Coverage begins on the covered livestock or livestock product on the effective date for each Specific Coverage Endorsement.
- (b) Coverage ends on the covered livestock or livestock product on the end date stated on each Specific Coverage Endorsement.

9. Indemnity Payments for Losses.

- (a) The calculation for indemnity payments is found in the Specific Coverage Endorsement.
- (b) In order to receive an indemnity you must submit a claim to us on our form within sixty (60) days following the end date.
- (c) The indemnity payment shall be made within sixty (60) days following receipt by us of the properly executed claim form.
- (d) If the end date is on a Saturday, Sunday, or Federal holiday, or, if for any reason the relevant report is not available to us for that day or any other day of the ending period, then the actual ending value will be based on the most recent reports made prior to that date.

10. Agricultural Commodities as Payment.

We will not accept any livestock or other agricultural commodity as compensation for payments due.

11. Arbitration.

- (a) Any dispute regarding a determination arising out of or relating to this policy will be resolved in accordance with the rules of the American Arbitration Association (AAA). Notwithstanding any provisions in the rules of the AAA to the contrary, the arbitrator's decision is not binding on you or us and is subject to judicial review under the same standards as a decision rendered by the National Appeals Division.
- (b) The initiation of arbitration proceedings must occur within 12 months of the date of the denial of the claim, including disputes regarding the amount of the claim.
- (c) Failure to agree with any factual determination made by FCIC must be resolved through the FCIC appeal provisions published at 7 CFR part 11.
- (d) No award determined by arbitration or appeal can exceed the amount of liability established or which should have been established under the policy.

12. Verification of Livestock Ownership.

Upon our request, or the request of any employee of USDA, you shall provide us documents verifying ownership of your share of the livestock or livestock product identified in the Specific Coverage Endorsement. Documents deemed sufficient to support verification of ownership include, but are not limited to: Bills of sale from prior owners; financing and credit documents secured by the insured livestock or livestock product; written statements from third parties such as feed suppliers or veterinarians who have visited the farm or ranch, visually identified the livestock listed on the Specific Coverage Endorsement and can attest to your ownership of the

identified livestock; or bills of sale for the covered livestock or livestock product.

13. Access to Insured Livestock and Records, and Record Retention.

- (a) We, any person designated by us, and any employee designated by a USDA agency, reserve the right to perform random, on-site inspections to verify ownership or disposition of the insured livestock. Inspections will be conducted in accordance with generally accepted herd health practices.
- (b) For three years after the end date of any Specific Coverage Endorsement, you must retain, and provide upon our request, or the request of any person designated by us or any employee designated by a USDA agency, complete records of the ownership of your share and disposition of all the livestock or livestock product that were insured for the applicable period. We may extend the record retention period beyond three years by notifying you of such extension in writing. Your failure to keep and maintain such records will result in a denial of an indemnity under the Specific Coverage Endorsement. Because no indemnity is due as a result of a breach of this policy, all premiums will still be owed.
- (c) Our representative and any employee designated by a USDA agency, will, at any time during the record retention period, have access to:
 - (1) Any records relating to this insurance at any location where such records may be found or maintained; and
 - (2) The farm, ranch, feedlot or any other facility related to the production of livestock or livestock product by you.
- (d) By applying for insurance under the authority of the Act or by continuing insurance for which you previously applied, you authorize us, any employee designated by a USDA agency, or any person acting for us, to obtain records relating to the insured livestock or livestock product from any person who may have custody of those records including, but not limited to, banks and other lenders, feedlots, cooperatives, marketing associations, suppliers, and accountants. You must assist us in obtaining all records, which we request from third parties.

14. Off-Setting Transactions.

- (a) You must not enter into any transaction that would have the effect of converting any portion of the premium subsidy provided by FCIC into funds available for your use or the use of any person affiliated with you. Such transactions include covering the insured livestock or livestock product by taking an offsetting position on the commodity futures or options markets. If you violate this restriction, it will result in a denial of an indemnity under the Specific Coverage Endorsement. Because no indemnity is due as a result of a

breach of this policy, all premiums will still be owed.

- (b) Nothing in this policy prevents you from obtaining other insurance on the insured livestock or livestock product that:
 - (1) Is not issued under the authority of the Act; and
 - (2) Protects against substantially the same peril. However, the subrogation provisions in section 26 may be applicable.

15. Conformity to Food Security Act of 1985.

Although your failure to comply with a number of federal statutes, including the Act, may cause cancellation or voidance of your policy, you should be specifically aware that your policy will be canceled if you are determined to be ineligible to receive benefits under the Act due to a violation of the controlled substance provision (title XVII of the Food Security Act of 1985 (Pub. L. 99-198)) and the regulations promulgated under the Act by USDA. Your insurance policy will be canceled if you are determined, by the appropriate Agency, to be in violation of these provisions. You must repay us any and all monies paid to you or received by you during your period of ineligibility, and your premium will be refunded less a reasonable amount for expenses and handling not to exceed 24.5 percent of the total premium.

16. Amounts Due Us.

- (a) Interest will accrue at the rate of 1.25 percent simple interest per calendar month or any portion thereof, on any amount due us. Interest will start to accrue on the date that notice is issued to you for the collection of the amount due. Amounts found due under this paragraph will not be charged interest if payment is made within 30 days of issuance of the notice. The amount will be considered delinquent if not paid by the date specified in the notice issued by us.
- (b) For checks submitted to pay premium that are returned for insufficient funds, interest will start to accrue on the effective date.
- (c) All amounts paid will be applied first to expenses of collection if any, second to the reduction of accrued interest, and then to the reduction of the principal balance.
- (d) If we determine that it is necessary to contract with a collection agency or to employ an attorney to assist in collection, you agree to pay all of the expenses of collection.
- (e) Amounts owed to us by you may be collected in part through administrative offset from payments you receive from United States government agencies in accordance with 31 U.S.C. chapter 37.

17. Legal Action Against Us.

- (a) You may not bring legal action against us unless you have complied with all of the policy provisions.
- (b) If you take legal action against us, you must do so within 12 months of the date of denial of the claim.

Suit must be brought in accordance with the provisions of 7 U.S.C. 1508(j).

- (c) Under no circumstances will we be liable for the payment of damages (compensatory, punitive, or other), attorneys' fees, or other charges in connection with any claim for indemnity, whether we approve or disapprove such claim.

18. Payment and Interest Limitations.

We will pay simple interest computed on the net indemnity ultimately found to be due by us or by a final judgment of a court of competent jurisdiction from and including the 61st day after the date you sign, date, and submit to us the properly completed claim on our form. Interest will be paid only if the reason for our failure to timely pay is NOT due to your failure to provide a properly completed claim form to us. The interest rate will be that established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) and published in the Federal Register semiannually on or about January 1 and July 1 of each year, and may vary with each publication.

19. Concealment, Misrepresentation or Fraud.

- (a) If you have falsely or fraudulently concealed the fact that you are ineligible to receive benefits under the Act or if you or anyone assisting you has intentionally concealed or misrepresented any material fact relating to this policy:
 - (1) This policy, including all Specific Coverage Endorsements, will be voided for each crop year in which the concealment, fraud, or misrepresentation occurred; and
 - (2) You may be subject to remedial sanctions in accordance with 7 U.S.C. 1515(h) and 7 C.F.R. part 400, subpart R.
- (b) Even though the policy is void, you may still be required to pay 24.5 percent of the premium due under the policy to offset costs incurred by us in the service of this policy. If previously paid, the balance of the premium will be refunded.
- (c) Voidance of this policy will result in you having to reimburse us for all indemnities paid for the insurance period in which the voidance was effective.
- (d) Voidance will be effective on the effective date or dates for the crop year in which the act occurred and will not affect the policy for subsequent crop years unless a violation of this section also occurred in such crop years.

20. Transfer of Coverage and Right to Indemnity.

- (a) If you transfer any part of your insured share during the period of insurance, you may transfer your coverage rights if the transferee is eligible for livestock insurance. We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred. The transfer of coverage rights must be on our form and will not be effective until approved by us in writing.

- (b) The transferee shall have all rights and responsibilities under this policy consistent with the transferee's interest. If the transferee is not eligible for livestock insurance for any reason, and the transfer occurs before the final 30 days of the insurance period, or if you fail to inform us of a transfer by the end date or within 30 days of the transfer whichever is later, then the transferred portion of the coverage will be terminated and no premium for that portion will be refunded.

21. Assignment of Indemnity.

As long as you have a share in the insured livestock or livestock product, you may assign to another party your right to an indemnity. The assignment must be on our form and will not be effective until approved in writing by us. The assignee will have the right to submit the claim form as required by the policy. We will honor the terms of the assignment only if we can accurately determine the amount of the claim. However, no action will lie against us for failure to do so.

22. Descriptive Headings.

The descriptive headings of the various policy provisions are for convenience only and are not intended to affect the construction or meaning of any of the policy provisions.

23. Notices.

- (a) All notices required to be given by you must be in writing and received by your insurance agent within the designated time unless otherwise provided by the notice requirement. Notices required to be given immediately may be by facsimile, electronic mail, or delivered in person. Time of the notice will be determined by the time of our receipt of the written notice. If the date by which you are required to submit a report or notice falls on Saturday, Sunday, or a Federal holiday, or, if your agent's office is, for any reason, not open for business on the date you are required to submit such notice or report, such notice or report must be submitted on the next business day.
- (b) All notices and communications required to be sent by us to you will be mailed to the address shown on the policy. Notice sent to such address will be conclusively presumed to have been received by you. You should advise us immediately of any change of address.

24. Applicability of State and Local Statutes.

If the provisions of this policy conflict with statutes of the State or locality in which this policy is issued, the policy provisions will prevail. State and local laws and regulations in conflict with federal statutes, this policy, and the applicable regulations do not apply to this policy.

25. Multiple Government Benefits.

- (a) If you are eligible to receive an indemnity under this plan of insurance and are also eligible to receive benefits for the same loss under any other USDA program, you may receive benefits under both programs, unless specifically limited by the

insurance contract or by law.

- (b) The total amount received from all such sources may not exceed the amount of your actual loss. The total amount of the actual loss is the difference between the fair market value of the insured commodity before and after the loss, based on your records and the highest amount of insurance available for the commodity.
- (c) The Farm Service Agency will determine and pay the additional amount due you for any applicable USDA program after first considering the amount of any insurance indemnity.

26. Subrogation.

- (a) If you do purchase another policy, including any options or other risk-hedging instruments, not issued under the authority of the Act on covered livestock against substantially the same perils, we will add all indemnities payable under the other policies, options or other risk-hedging instruments to the indemnity payable under this policy. If the sum exceeds the higher of the value of the livestock at the inception of any of the policies, we will reduce our indemnity payment by the excess, but premium will not be reduced.
- (b) If you recover any funds from someone else, you must repay to us the amount you receive from us, not to exceed the amount of indemnity we paid to you. If we pay you for your loss, your right to recovery will, at our option, belong to us. If we recover more than we paid you plus our expenses, the excess will be paid to you.